

---

**SUBSTITUTE HOUSE BILL 2432**

---

**State of Washington                      59th Legislature                      2006 Regular Session**

**By** House Committee on Finance (originally sponsored by Representatives Campbell, Morrell, McCune, McCoy, Appleton, Talcott, Linville, Conway, Sump, Springer, Green, Ericks, Dunn and Sells)

READ FIRST TIME 01/31/2006.

1            AN ACT Relating to property tax exemptions for persons with  
2 disabilities related to the performance of military duties; amending  
3 RCW 84.36.381 and 84.36.383; and creating a new section.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 84.36.381 and 2005 c 248 (HB 1019) s 2 are each  
6 amended to read as follows:

7            A person shall be exempt from any legal obligation to pay all or a  
8 portion of the amount of excess and regular real property taxes due and  
9 payable in the year following the year in which a claim is filed, and  
10 thereafter, in accordance with the following:

11            (1) The property taxes must have been imposed upon a residence  
12 which was occupied by the person claiming the exemption as a principal  
13 place of residence as of the time of filing: PROVIDED, That any person  
14 who sells, transfers, or is displaced from his or her residence may  
15 transfer his or her exemption status to a replacement residence, but no  
16 claimant shall receive an exemption on more than one residence in any  
17 year: PROVIDED FURTHER, That confinement of the person to a hospital,  
18 nursing home, boarding home, or adult family home shall not disqualify  
19 the claim of exemption if:

1 (a) The residence is temporarily unoccupied;

2 (b) The residence is occupied by a spouse and/or a person  
3 financially dependent on the claimant for support; or

4 (c) The residence is rented for the purpose of paying nursing home,  
5 hospital, boarding home, or adult family home costs;

6 (2) The person claiming the exemption must have owned, at the time  
7 of filing, in fee, as a life estate, or by contract purchase, the  
8 residence on which the property taxes have been imposed or if the  
9 person claiming the exemption lives in a cooperative housing  
10 association, corporation, or partnership, such person must own a share  
11 therein representing the unit or portion of the structure in which he  
12 or she resides. For purposes of this subsection, a residence owned by  
13 a marital community or owned by cotenants shall be deemed to be owned  
14 by each spouse or cotenant, and any lease for life shall be deemed a  
15 life estate;

16 (3) The person claiming the exemption must be (a) sixty-one years  
17 of age or older on December 31st of the year in which the exemption  
18 claim is filed, or must have been, at the time of filing, retired from  
19 regular gainful employment by reason of disability, or (b) a veteran of  
20 the armed forces of the United States with a one hundred percent  
21 service connected disability as ((provided in 42 U.S.C. Sec. 423  
22 (d)(1)(A) as amended prior)) determined pursuant to 38 U.S.C. Sec. 1110  
23 et seq. as existing on January 1, ((2005)) 2006. However, any  
24 surviving spouse of a person who was receiving an exemption at the time  
25 of the person's death shall qualify if the surviving spouse is fifty-  
26 seven years of age or older and otherwise meets the requirements of  
27 this section;

28 (4) The amount that the person shall be exempt from an obligation  
29 to pay shall be calculated on the basis of combined disposable income,  
30 as defined in RCW 84.36.383. If the person claiming the exemption was  
31 retired for two months or more of the assessment year, the combined  
32 disposable income of such person shall be calculated by multiplying the  
33 average monthly combined disposable income of such person during the  
34 months such person was retired by twelve. If the income of the person  
35 claiming exemption is reduced for two or more months of the assessment  
36 year by reason of the death of the person's spouse, or when other  
37 substantial changes occur in disposable income that are likely to  
38 continue for an indefinite period of time, the combined disposable

1 income of such person shall be calculated by multiplying the average  
2 monthly combined disposable income of such person after such  
3 occurrences by twelve. If it is necessary to estimate income to comply  
4 with this subsection, the assessor may require confirming documentation  
5 of such income prior to May 31 of the year following application;

6 (5)(a) A person who otherwise qualifies under this section and has  
7 a combined disposable income of thirty-five thousand dollars or less or  
8 who is a veteran of the armed forces of the United States with a one  
9 hundred percent service connected disability and has a combined  
10 disposable income of seventy thousand dollars or less shall be exempt  
11 from all excess property taxes; and

12 (b)(i) A person who otherwise qualifies under this section and has  
13 a combined disposable income of thirty thousand dollars or less but  
14 greater than twenty-five thousand dollars shall be exempt from all  
15 regular property taxes on the greater of fifty thousand dollars or  
16 thirty-five percent of the valuation of his or her residence, but not  
17 to exceed seventy thousand dollars of the valuation of his or her  
18 residence; or

19 (ii) A person who otherwise qualifies under this section and has a  
20 combined disposable income of twenty-five thousand dollars or less or  
21 who is a veteran of the armed forces of the United States with a one  
22 hundred percent service connected disability and has a combined  
23 disposable income of seventy thousand dollars or less shall be exempt  
24 from all regular property taxes on the greater of sixty thousand  
25 dollars or sixty percent of the valuation of his or her residence;

26 (6) For a person who otherwise qualifies under this section and has  
27 a combined disposable income of thirty-five thousand dollars or less or  
28 who is a veteran of the armed forces of the United States with a one  
29 hundred percent service connected disability and has a combined  
30 disposable income of seventy thousand dollars or less, the valuation of  
31 the residence shall be the assessed value of the residence on the later  
32 of January 1, 1995, or January 1st of the assessment year the person  
33 first qualifies under this section. If the person subsequently fails  
34 to qualify under this section only for one year because of high income,  
35 this same valuation shall be used upon requalification. If the person  
36 fails to qualify for more than one year in succession because of high  
37 income or fails to qualify for any other reason, the valuation upon  
38 requalification shall be the assessed value on January 1st of the

1 assessment year in which the person requalifies. If the person  
2 transfers the exemption under this section to a different residence,  
3 the valuation of the different residence shall be the assessed value of  
4 the different residence on January 1st of the assessment year in which  
5 the person transfers the exemption.

6 In no event may the valuation under this subsection be greater than  
7 the true and fair value of the residence on January 1st of the  
8 assessment year.

9 This subsection does not apply to subsequent improvements to the  
10 property in the year in which the improvements are made. Subsequent  
11 improvements to the property shall be added to the value otherwise  
12 determined under this subsection at their true and fair value in the  
13 year in which they are made.

14 **Sec. 2.** RCW 84.36.383 and 2004 c 270 s 2 are each amended to read  
15 as follows:

16 As used in RCW 84.36.381 through 84.36.389, except where the  
17 context clearly indicates a different meaning:

18 (1) The term "residence" means a single family dwelling unit  
19 whether such unit be separate or part of a multiunit dwelling,  
20 including the land on which such dwelling stands not to exceed one  
21 acre. The term shall also include a share ownership in a cooperative  
22 housing association, corporation, or partnership if the person claiming  
23 exemption can establish that his or her share represents the specific  
24 unit or portion of such structure in which he or she resides. The term  
25 shall also include a single family dwelling situated upon lands the fee  
26 of which is vested in the United States or any instrumentality thereof  
27 including an Indian tribe or in the state of Washington, and  
28 notwithstanding the provisions of RCW 84.04.080 and 84.04.090, such a  
29 residence shall be deemed real property.

30 (2) The term "real property" shall also include a mobile home which  
31 has substantially lost its identity as a mobile unit by virtue of its  
32 being fixed in location upon land owned or leased by the owner of the  
33 mobile home and placed on a foundation (posts or blocks) with fixed  
34 pipe, connections with sewer, water, or other utilities. A mobile home  
35 located on land leased by the owner of the mobile home is subject, for  
36 tax billing, payment, and collection purposes, only to the personal  
37 property provisions of chapter 84.56 RCW and RCW 84.60.040.

1 (3) "Department" means the state department of revenue.

2 (4) "Combined disposable income" means the disposable income of the  
3 person claiming the exemption, plus the disposable income of his or her  
4 spouse, and the disposable income of each cotenant occupying the  
5 residence for the assessment year, less amounts paid by the person  
6 claiming the exemption or his or her spouse during the assessment year  
7 for:

8 (a) Drugs supplied by prescription of a medical practitioner  
9 authorized by the laws of this state or another jurisdiction to issue  
10 prescriptions;

11 (b) The treatment or care of either person received in the home or  
12 in a nursing home, boarding home, or adult family home; and

13 (c) Health care insurance premiums for medicare under Title XVIII  
14 of the social security act.

15 (5) "Disposable income" means adjusted gross income as defined in  
16 the federal internal revenue code, as amended prior to January 1, 1989,  
17 or such subsequent date as the director may provide by rule consistent  
18 with the purpose of this section, plus all of the following items to  
19 the extent they are not included in or have been deducted from adjusted  
20 gross income:

21 (a) Capital gains, other than gain excluded from income under  
22 section 121 of the federal internal revenue code to the extent it is  
23 reinvested in a new principal residence;

24 (b) Amounts deducted for loss;

25 (c) Amounts deducted for depreciation;

26 (d) Pension and annuity receipts;

27 (e) Military pay and benefits other than attendant-care and  
28 medical-aid payments;

29 (f) Veterans benefits, other than attendant-care and medical-aid  
30 payments and compensation for service connected disabilities and  
31 special monthly compensation payments;

32 (g) Federal social security act and railroad retirement benefits;

33 (h) Dividend receipts; and

34 (i) Interest received on state and municipal bonds.

35 (6) "Cotenant" means a person who resides with the person claiming  
36 the exemption and who has an ownership interest in the residence.

37 (7) "Disability" has the same meaning as provided in 42 U.S.C. Sec.

1 423(d)(1)(A) as amended prior to January 1, 2004, or such subsequent  
2 date as the director may provide by rule consistent with the purpose of  
3 this section.

4 NEW SECTION. **Sec. 3.** This act applies to taxes levied for  
5 collection in 2007 and thereafter.

--- END ---